



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Puma
COUNTRY: China
FACTORY CODE: 360015900G
MONITOR: Global Standards
AUDIT DATE: September 8 – 9, 2008
PRODUCTS: Footwear
PROCESSES: Cutting, Sewing, High
Frequency, Embroidery, Finishing
NUMBER OF WORKERS: 2800



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1. Factory does not buy all 5 kinds of insurance for all workers. Factory buys occupational injury insurance for all workers; endowment, procreation and unemployment insurances for 320 workers; and no medical insurance for any workers. According to local regulation, the percentage of workers who have social insurance is acceptable in this factory. Local government does not provide medical insurance to private, joint-ventured and foreign invested companies yet.

Sources: record review, management interview

2: There is no paid sick leave in this factory.

Legal reference: Labor Law, Section 73: Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: 1) retirement; 2) illness or injury; 3) disability caused by work-related injury or occupational disease; 4) unemployment; and (5) childbearing. Survivors of insured workers shall be entitled to subsidies for survivors in accordance with the law. Conditions and standards for laborers to enjoy social insurance benefits shall be stipulated by laws, rules and regulations. The social insurance amount workers are entitled to must be timely paid in full.

Plan Of Action: 1. Factory needs to check with local social insurance agency and ensure eligible workers are enrolled in legally mandated social security program in accordance with the law. This includes workplace injury, medical care, unemployment, pension and maternity benefits. Where applicable, factory should discuss with local social insurance agency and submit a plan with detailed target and time frame for enrolling all workers in the social security program.

2. Paid sick leave must be provided in accordance with the law.

Deadline Date: 01/01/2009

Action Taken: 1. According to feedback and records from factory management, they have already contacted local social insurance agency who confirmed full compliance according to local law.

2. Workers are entitled to paid sick leave according to the law.

Plan

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: Most workers interviewed are not aware of the legally mandated benefits.

Sources: record review; worker and management interviews

Plan Of Action: Factory should ensure orientation program includes basic labor regulations as well as benefits package. Appraisal needs to be done to evaluate the effectiveness of orientation trainings.

Deadline Date: 03/01/2009

Action Taken: According to factory records, current orientation program has included basic labor laws and regulations. Training appraisal has been done to evaluate the training activities.

Plan

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Posting Notices

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

Noncompliance

Explanation: No laws and regulations are posted in the factory.

Sources: factory walkthrough, management interview

Legal reference: Article 4, Employment Contract Law: Rules and regulations, and decisions on material matters, that have a direct bearing on the immediate interests of employees shall be made public or be communicated to employees by employer.

Plan Of Action: In addition to orientation training, factory should also post labor laws and regulations in the workplace.

Deadline Date: 01/01/2009

Action Taken: According to feedback from the factory, they have already posted basic labor standards in the workplace.

Plan Complete:

Plan Complete Date:

Forced Labor: Personal Worker Identification and Other Documents

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, ensuring that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

Noncompliance

Explanation: Some workers have no contracts in hand.

Sources: worker and management interviews

Legal reference: Employment Contract Law, Article16: Employer and employee shall each hold 1 copy of employment contract.

Plan Of Action: Factory should designate 1 person to be in charge of contracts. This individual would ensure that all employees possess contracts.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records, factory hired an HR supervisor who closely follows the conditions surrounding the signing of labor contracts with workers. Currently every worker has a contract with factory.

Plan Complete:

Plan Complete Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: **FLA Comment:** The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: In addition to the establishment and operation of an official trade union according to Chinese union law, factory should also ensure smooth communications at workplace. Factory shall educate all workers on the function of the union and on channels of communications. Related records should be kept on file for compliance checking.

Deadline Date: 03/01/2009

Action Taken: According to feedback and records from factory, all workers have been trained on functions of the union in the workplace and on how to communicate with factory management internally.

Plan Complete:

Plan
Complete
Date:

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: Candidates for chairman and committee members are chosen by the management. Chairman of union is Vice General Manager.

Sources: record review, management interview

Legal reference: China Trade Union Law, Article 26: Members of trade union committee should be elected among trade union members or representatives of union members; chairman and vice chairman of the union should be elected through meeting held by trade union members or representatives of members, or elected by members of trade union committee.

Plan Of Action: Factory should consult with local union official and ensure union elections are done in compliance with the law. All labor union representatives should be elected freely by workers themselves.

Deadline Date: 03/01/2009

Action Taken: According to feedback from factory managers, they have discussed with workers and chairman of union the subject of free elections in the workplace. Local union official confirmed legal compliance in regards to the current operation of the factory's union.

Plan
Complete:

Plan
Complete
Date:

Freedom of Association: Right to Collective Bargaining/Validity of Collective Bargaining Agreement

FOA.23 Collective bargaining agreements that have not been negotiated freely, voluntarily and in good faith shall be considered not applicable. Provisions in collective bargaining agreements that contradict national laws, rules and procedures or offer less protection to workers than provisions of the FLA Code shall also be considered not applicable. (S)

Noncompliance

Explanation: Collective Bargaining Agreement (CBA) is not authorized by local labor bureau.

Sources: record review, management interview

Legal reference: Collective Bargaining Agreement Regulation, Article 42: CBA shall be authorized by the local labor protection bureau within 10 days of the signature of the agreement. Labor bureau shall make registration for the agreement.

Plan Of Action: Factory is required to ensure CBA is authorized by local labor department.

Deadline Date: 03/01/2009

Action Taken: According to feedback and records from factory management, the CBA has already been checked and confirmed through the local labor department, as required by the law.

Plan
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: Disciplinary system does not allow a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action is being imposed.

Sources: record review, management interview

Plan Of Action: Grievance system should be set up within the factory to ensure workers can appeal or challenge disciplinary actions to higher level of management.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory management, they have already developed a grievance system which is helpful to ensure the smooth communication between workers and management.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: There is no policy and procedure for harassment and abuse.

Sources: record review, management interview

Plan Of Action: Harassment and abuse policy should be set up and displayed in a public area to ensure all workers are aware of them. Both managers and workers should be properly trained on the policies and grievance procedures.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records from factory, non-harassment and non-abuse policies and procedures are already set up and displayed in public areas. Managers and workers are briefed on non-harassment and non-abuse policies at workplace.

Plan Complete:

Plan Complete Date:

Child Labor: Other Means of Age Verification

CL.4 In those cases where proof of age documentation is not readily available or unreliable, employers shall take all necessary precautions which can reasonably be expected of them to ensure that all workers are at least the minimum working age, including requesting and maintaining medical or religious records of workers, or through other means considered reliable in the local context. (P)

Noncompliance

Explanation: There are no other methods to prove workers' ages when age documents are not readily available or are unreliable.

Sources: record review, management interview

Plan Of Action: Factory should have a clear procedure to ensure workers are joining the factory with valid ID documents and records.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory, a cross-checking procedure is already in place to ensure workers have valid ID documents.

Plan Complete:

Plan Complete Date:

Child Labor: Government Permits and Parental Consent Documentation

CL.5 Employers shall abide by all relevant rules and procedures where the law requires government permits or permission from parents as a condition of employment, and shall keep documentation on-site for inspection at all times. (P)

Noncompliance

Explanation: There are no juvenile worker registration certificates provided to juvenile workers.

Sources: record review, management interview

Legal reference: Special Protection for Juvenile Workers, Article 9: Adopt registration system for the recruitment and special protection of juvenile workers. 1) The working units should make a registration with local labor bureau whose authority is above county level. The labor bureau issues "registration certificate of juvenile workers" according to "physical examination papers of juvenile workers" and "registration of juvenile workers." 3) Juvenile workers should have "registration certificate of juvenile workers" for working.

Plan Of Action: Factory must ensure legal compliance in regards to the hiring of juvenile workers. For example, the timely registration to local labor department on employment of juvenile workers.

Deadline Date: 01/01/2009

Action Taken: According to records and feedback, factory has already notified the local labor department on hiring and employment of juvenile workers.

Plan Complete:

Plan Complete Date:

Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Explanation: No physical examinations are provided to juvenile workers when they enter the factory.

Sources: record review; worker and management interviews

Legal reference: Protection Regulation for Juvenile Workers, Article 6: Employers should provide physical examinations for juvenile workers as per these requirements: before pre-employment; after service for a year; when they reach 18 years old; and if it has been over half a year since last physical examination.

Plan Of Action: Factory should provide physical examinations for juvenile workers according to the law.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records, juvenile workers have already been provided with free health checks in accordance with the legal requirements.

Plan Complete:

Plan Complete Date:

Child Labor: Hazardous Work for Young Workers

CL.7 No person under the age of 18 shall undertake hazardous work, i.e., work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of persons under the age of 18. (S)

Noncompliance

Explanation: 4 juvenile workers work in high frequency department, including printing section, using chemicals and operating machines that have hazardous impact on the human body during work.

Sources: record review; worker and management interviews

Legal reference: Labor Law, Section 64: No juvenile workers shall be arranged to engage in work down the pit of mines; work that is poisonous or harmful; work with Grade IV physical labor intensity as stipulated by the State; or other work that they should avoid.

Plan Of Action: Factory should have a system to track the employment of juvenile workers in the workplace and to ensure they are not working in hazardous positions or doing other work banned and restricted by the law.

Deadline Date: 01/01/2009

Action Taken: According to records and feedback from factory, the juvenile workers at high frequency operation have been relocated to other workstations where no hazardous work is involved.

Plan Complete:

Plan Complete Date:



Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

Noncompliance

Explanation: Factory does not have a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.

Sources: record review, management interview

Plan Of Action: Factory shall develop system and procedures to identify the workstations and operations which are restricted to juvenile workers by law.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records, factory has already developed a tracking system on hazardous work or operations that are not suitable for juvenile workers by law.

Plan Complete:

Plan Complete Date:

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: There is no noncompliance reporting mechanism which allows factory workers to contact the company.

Sources: factory walkthrough, record review

Plan Of Action: Factory should post updates on Puma's Code of Conduct in the workplace, which include the Puma hotline number. Puma hotline should also be included in worker's orientation program so that they can report any grievances in the workplace to Puma.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory, Puma's updated Code of Conduct is already posted and they have also included Puma's Code of Conduct and hotline in their orientation program.

Plan Complete:

Plan Complete Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

- Explanation:**
1. No exit sign and emergency light installed above door on west side of production building #2.
 2. Emergency light in second floor stairwell on west side of production building #2 is not functioning.
 3. There is no emergency light in the canteen stairwell.
 4. Workers working at the entrance of canteen's second floor; goods block the aisle.
 5. Printing department exit on production building #1's second floor blocked and shut down.

Source: factory walkthrough

Plan Of Action: Designated EHS members or team should draft a plan to check whether current EHS policy and procedures are adequate or not. They should revise policy and procedures as necessary to ensure legal compliance with regards to the installation and maintenance of fire safety equipment and facilities. Factory should take immediate action to ensure that the missing exit signs and emergency lights are in place and kept free from obstruction.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records from factory, they have already set up an internal EHS team to check EHS issues on a regular basis. All the missing exit signs and emergency lights are installed. Aisles and exits are kept free from obstruction.

Plan Complete:

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

- Explanation:**
1. 1 fire extinguisher in production building #2; 2 fire extinguishers in high frequency department of production building #2; and 1 extinguisher on second floor of dormitory are not fully charged.
 2. Water pipe of 1 fire hoses on the west side of production building #2 is broken.
 3. There is no eye wash equipment in workplaces using chemicals.
 4. Oxygen and acetylene tanks are placed intricately together outside of '[Section name]' section, and are not fixed.
 5. There is no fire extinguisher in the garbage area.

Source: factory walkthrough

Plan Of Action: Factory EHS team should have plan to check whether current EHS policy and procedures are adequate and revise then as necessary to ensure legal compliance with regards to the installation and maintenance of fire safety equipment and facilities. Factory should take immediate actions to ensure fire extinguishers are fully charged and fire hoses are in good working condition. Eye wash facilities are installed at chemical handling area. Oxygen and acetylene tanks should be stored separately and secured according to industrial standards. Equipment sufficient. Fire extinguishers at garbage area.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records from factory, fire extinguishers have been checked and fully charged after inspection. Fire hoses maintained in good condition. Eye wash facilities are installed at chemical handling areas. Oxygen and acetylene tanks are stored separately with chains surrounding them to prevent them accidentally falling over. Fire extinguishers are also equipped at waste and garbage areas.

Plan Complete:

Plan
Complete
Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in local language and the language(s) spoken by workers, if different from local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

- Explanation:**
1. No safety labels posted on chemical packaging in glue warehouse in production building #2.
 2. There are only names posted on small chemical containers, no hazard explanation.
 3. No fire hazard warning sign outside of canteen that stores diesel fuel.
 4. There are no warning signs in chemical storage places.
 5. Printing department on second floor of production building #1 is right beside finished products warehouse. Printing department of production building #2 is right beside materials warehouse.
 6. There are no appropriate second containers for chemicals.
 7. There are no training sessions on chemical use provided to workers.

Source: factory walkthrough

Plan Of Action: Factory should develop and implement sound chemical management system which covers labeling, dispensing procedures, hazard communication, secondary containment, and workers' health protection. Policy and procedures should be in place to guide actions towards these requirements.

Deadline Date: 01/01/2009

Action Taken: According to feedback and records from factory, they have already developed a chemical management system and workers are trained on how to handle chemicals in the workplace. The internal EHS team is checking regularly to ensure compliance.

Plan Complete:

Plan Complete Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: No MSDS are posted in some workplaces using chemicals.

Source: factory walkthrough

Plan Of Action: Factory should ensure updates and adequate MSDS posted at chemical storage and handling areas.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory, MSDS already posted in the workplace. Internal EHS teams are regularly checking workplace to ensure MSDS available at chemical handling.

Plan Complete:

Plan Complete Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: 1. There is no shield for transmission chain of sterilization equipment in production building #2.

2. 1 electrical wire is not covered on the west side of production building #2.

3. 1 Dingxing machine in production building #2 is not grounded.

4. Electrical wires are directly plugged in the electrical outlet in garbage area.

Source: factory walkthrough

Plan Of Action: Factory should ensure all electrical machines and connections are installed or maintained according to industrial standards. All dangerous electrical connections must be removed from point of use immediately.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory, they have already checked all electrical connections in the workplace to ensure industrial standards are met. This includes, but is not limited to, good insulation; proper grounding for electrical equipment; and shielding protection for workers at transmission chain of sterilization operation, etc.

Plan Complete:

Plan Complete Date:

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: There is a strong smell inside the male toilets connected to the production buildings.

Source: factory walkthrough

Plan Of Action: Factory should have designated personnel in charge of the cleanup of washroom and should ensure workers can get access to clean service.

Deadline Date: 01/01/2009

Action Taken: According to feedback from factory, full-time cleaners have been hired to be in charge of the washroom. Daily checking procedures are also in place to ensure it is clean and hygienic for workers to use.

Plan Complete:

Plan Complete Date:

Hours of Work: Annual Leave/Wage Payments

HOW.18 Employers shall provide workers taking annual leave their normal or average wages for the full period of annual leave in advance, unless specified differently under local laws, regulations and procedures. (S)

Noncompliance

Explanation: Factory does not provide workers taking annual leave with their normal or average wages for the full period of annual leave in advance.

Sources: record review; worker and management interviews

Plan Of Action: Factory must provide wages for paid annual leave to workers in accordance with the law.

Deadline Date: 01/01/2009

Action Taken: According to records and feedback from factory, current practice is in compliance with the law. For example, workers are entitled to 5 days annual leave if their service time is from 1 – 10 years. If service time is from 10 – 20 years, then workers can have 10 days annual leave; workers can have 15 days of annual leave if their service time is more than 20 years.

Plan Complete:

Plan Complete Date:
